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SUBJECT: LIBYA COUNTRY REPORT ON TERRORISM 2008

REF: STATE 120019

11. (U) The United States rescinded Libya's designation as a state sponsor of terrorism in June 2006 after Libya renounced terrorism and weapons of mass destruction in 2003. Libya has continued to cooperate closely with the United States and the international community to combat terrorism and terrorist financing.

12. (U) In November 2007, Egyptian cleric and al-Qa'ida (AQ) leader Ayman al-Zawahiri announced a merger between AQ and the Libyan Islamic Fighting Group (LIFG). In an audiotape, al-Zawahiri urged AQ fighters to topple the government of Libya, describing Muammar al-Qadhafi as an "enemy of Islam" and criticizing the 2003 decision to renounce WMD and terrorism. According to press accounts, LIFG maintained a limited presence in eastern Libya and has facilitated the transfer of foreign fighters to join insurgents fighting U.S.-led forces in Iraq.

13. (U) On August 14, Libya and the United States signed a comprehensive claims settlement agreement to create a process and a mechanism to provide compensation to claimants in both countries for terrorism-related cases. Included in the settlement agreement are claims stemming from the 1988 bombing of Pan Am flight 103 in Lockerbie, Scotland, and the 1986 bombing of the La Belle nightclub in Berlin. On October 31, the Secretary of State certified to Congress that all settlement funds had been received, paving the way for the confirmation of a U.S. Ambassador to Tripoli and the restoration of full diplomatic ties.

GODFREY